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Security Information

3 August 1953

MEMORANDUM FOR: Acting Deputy Director (Administration)

SUBJECT : Income Taxes for Covert Personnel

1. The question of whether covert personnel are obligated to pay U. S. Federal Income Taxes and, if so, how they can be paid without impairing security is a complex one. It has been exhaustively explored with the Bureau of Internal Revenue in all its aspects. Some cases will have to be handled on an individual basis and will present difficulties until improved procedures now under discussion are worked out with the Bureau of Internal Revenue. It seems clear, however, that staff employees and staff agents are at all times subject to U. S. Income Taxes. In many cases this will present no difficulty, but in certain circumstances special procedures will have to be worked out.

2. A book message on this subject was prepared in December 1952, but the expense involved in such a cable message was prohibitive. Consequently, in January a memorandum to the same effect was distributed to the covert branches for appropriate instructions to the field. (Copies of these papers are attached.) It is hoped that this will take care of the tax situation for the future, but in view of certain specific cases which have come to our attention recently you may wish to draw this general question to the attention of the Deputy Director (Plans), with the thought that he may want to take additional administrative action to prevent further hardships on employees or expense to the Agency arising out of delay and uncertainty in handling tax returns securely. In particular, he may wish to assure that the memorandum has actually been forwarded to the Field for all personnel involved.

3. This Office will be glad to assist and advise on special cases as requested, and, if there is doubt as to the method or security of payment, we believe our relations with the Bureau of Internal Revenue will provide a satisfactory solution.

15/
LAWRENCE R. HOUSTON
General Counsel

3 Attachments

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Attachment